

PROGRAM OF INSTITUTIONAL STRENGTHENING FOR FOREIGN TRADE POLICY

(AR-0256)

EXECUTIVE SUMMARY

Borrower and guarantor:	Argentine Nation	
Executing agency:	External Trade Subsecretariat (SSCE) of the Secretariat of Industry, Trade, and Mining (SICyM)	
Amount and source:	IDB: (OC)	US\$5.0 million
	Local:	US\$3.0 million
	Total:	US\$8.0 million
Financial terms and conditions:	Amortization period:	20 years
	Grace period:	3 years
	Disbursement period:	3.3 years
	Interest rate:	variable
	Inspection and supervision:	1%
	Credit fee:	0.75%
	Currency:	United States dollars from the Single Currency Facility
Objectives:	<p>The general objective of the program is to support the process of shaping and implementing Argentina's external trade policy. The specific objectives are: (i) to strengthen SSCE capacity for analyzing, formulating, administering, and evaluating the instruments of external trade policy; (ii) to support linkages between the SSCE and the private sector and provincial government bodies responsible for foreign trade policy.</p>	
Description:	<p>A program consisting of two components has been designed to achieve the specific objectives: (i) institutional strengthening of the SSCE, and (ii) coordinating trade policy with the private sector and provincial government bodies.</p>	
	<p>The objective of the SSCE institutional strengthening component is to assist the Secretariat with the process of training and developing its human capital and the reengineering of internal and technical and administrative procedures in order to enhance its capacity for analysis,</p>	

design, management, and evaluation of foreign trade policy instruments and their effectiveness. To this end, financing will be provided for training, advisory assistance, and the development of new organizational and information systems technologies.

The purpose of the component to coordinate trade policy is to strengthen the linkages and support mechanisms between the SSCE and the private sector and provincial government bodies, in order to incorporate these agents into the process of shaping policy and applying it more effectively and help broaden the export prospects for national production. To this end, financing will be provided for the dissemination, coordination, and establishment of a trade information network and the design of pilot export sector programs in order to encourage trade opportunities to be maximized more fully by the private sector and enhance Argentina's competitive position in world markets.

A Program Executing Unit (PEU) will be set up within the SSCE with the core staff required so that at the SSCE's request, INTAL would lend technical and administrative assistance for the smooth functioning of the PEU and the program. Given the nature of the operation, the PEU will be financed in accordance with the Bank's technical cooperation funding policies.

Relationship of project in Bank's country and sector strategy:

The Bank's operating strategy for Argentina prioritizes activities in the following basic areas: (i) deepening and consolidating the process of State modernization; (ii) reducing poverty and improving the quality of life; and (iii) raising productivity and competitiveness of Argentine production. The proposed program meshes with this strategy. Specifically, through support for developing new organizational technologies and new trade promotion and policy instruments, the program will help bring about the modernization of government so that the private sector can benefit more effectively from participation in a global market on more favorable conditions and support efforts to improve the competitiveness of national production, thus permitting greater opportunities for job creation and a better quality of life for broad sectors of the country.

Environmental and social review:

The program was considered by the Committee on Social Impact and Environment on April 27, 1999. The Committee recommended that: (i) information and training activities in the areas of environmental external trade regulations be included in the program; (ii) information on environmental trade standards for the private sector and provincial government bodies be disseminated; and (iii) environmental considerations be included in the pilot export programs to be developed. All of the recommendations were taken into account in designing the operation (paragraph 4.4).

Benefits:

The SSCE's capacity to formulate and manage external trade policy more efficiently will be boosted as a result of the program. Also, the program will help to strengthen the linkages between the SSCE and the private sector and provincial government bodies involved in foreign trade through the establishment and operation of an information services network and interactive consultation on standards, procedures, policy, and instruments of trade promotion so that Argentine products will be better able to penetrate world markets.

The program will also help to formally establish new policies to promote external trade, particularly through the design of pilot sector export programs in the areas of furniture and garment making and educational services in order to better position these sectors internationally and to serve as a demonstration effect for others.

The training actions to be undertaken, particularly in the area of new trade disciplines will make it possible to enhance the SSCE's operating capacity to effectively implement existing agreements and negotiate new ones at a critical juncture in negotiations at the regional, hemispheric, and multilateral level.

Risks:

The improvement in the SSCE management is predicated on effective implementation of the new organizational methods and information systems planned as part of the program. To this end, it will be essential that the Subsecretariat personnel are supported by the new techniques otherwise they are likely to be implemented improperly or inefficiently. To minimize this risk, a number of training activities have been planned to prepare SSCE staff and sensitize them to the importance of effectively putting such techniques in place, especially with respect to the need for articulation and internal coordination in the Subsecretariat as well as in other government agencies and the private sector.

With respect to the training components, particularly the in-service training abroad, there exists the risk of qualified personnel leaving their positions with the SSCE upon completion of their training. To minimize this risk, participants will be required to make a commitment to stay on with the SSCE for at least one year after the in-service training is over.

The dissemination and articulation activities need to go beyond simply supplying information, particularly when they are aimed at the public and private sectors in the provinces, in order to fulfill their objectives. Accordingly, every effort will be made to ensure that the dissemination activities include practical and basic elements in each of the topics addressed.

Special contractual clauses:

- a. Conditions precedent to the first disbursement:
 - (i) The PEU must be set up and its staff hired (paragraph 3.10).
 - (ii) The PEU technical and administrative assistance agreement between the SSCE and INTAL must have entered into force on the terms and conditions agreed (paragraph 3.12).
 - (iii) The annual operating plan for year one of the program must be submitted (paragraph 3.24).

Also, the contract must make sufficient provision for follow up and proper evaluation of the program (paragraphs 3.24, 3.27, 3.28, and 3.30)

Poverty-targeting and social sector classification:

This operation does not qualify as a project to promote social equity pursuant to the key objectives for the Bank's activity contained in the Eighth General Increase in Resources (document AB-1704).

Exceptions to Bank policy:

There are no exceptions to Bank policies.

Procurement:

The procurement of goods and services planned for the program will be carried out in accordance with the Bank's procedures. International competitive bidding will be used for contracts valued at more than US\$350,000 in the case of goods and at more than US\$200,000 in the case of consulting services. For contracts below these thresholds, procurement will be done in accordance with national legislation. No construction works are anticipated under the program.

At the executing agency's request, the project team has determined that, as an exception to the hiring procedures for consulting services, INTAL should be contracted directly to provide technical and administrative support for the Program Executing Unit because of the institution's comparative technical and institutional advantages. Such an exception is permitted under the Bank's procurement policy (chapter GS-403 of the Bank's Procurement Manual). The costs of such contracting will be charged to the local counterpart funding (paragraph 2.28 and 3.11).